



# *OCS POLICY COMMITTEE*

## Gulf of Mexico -Update

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Regional Director  
Gulf of Mexico Region

March 2008

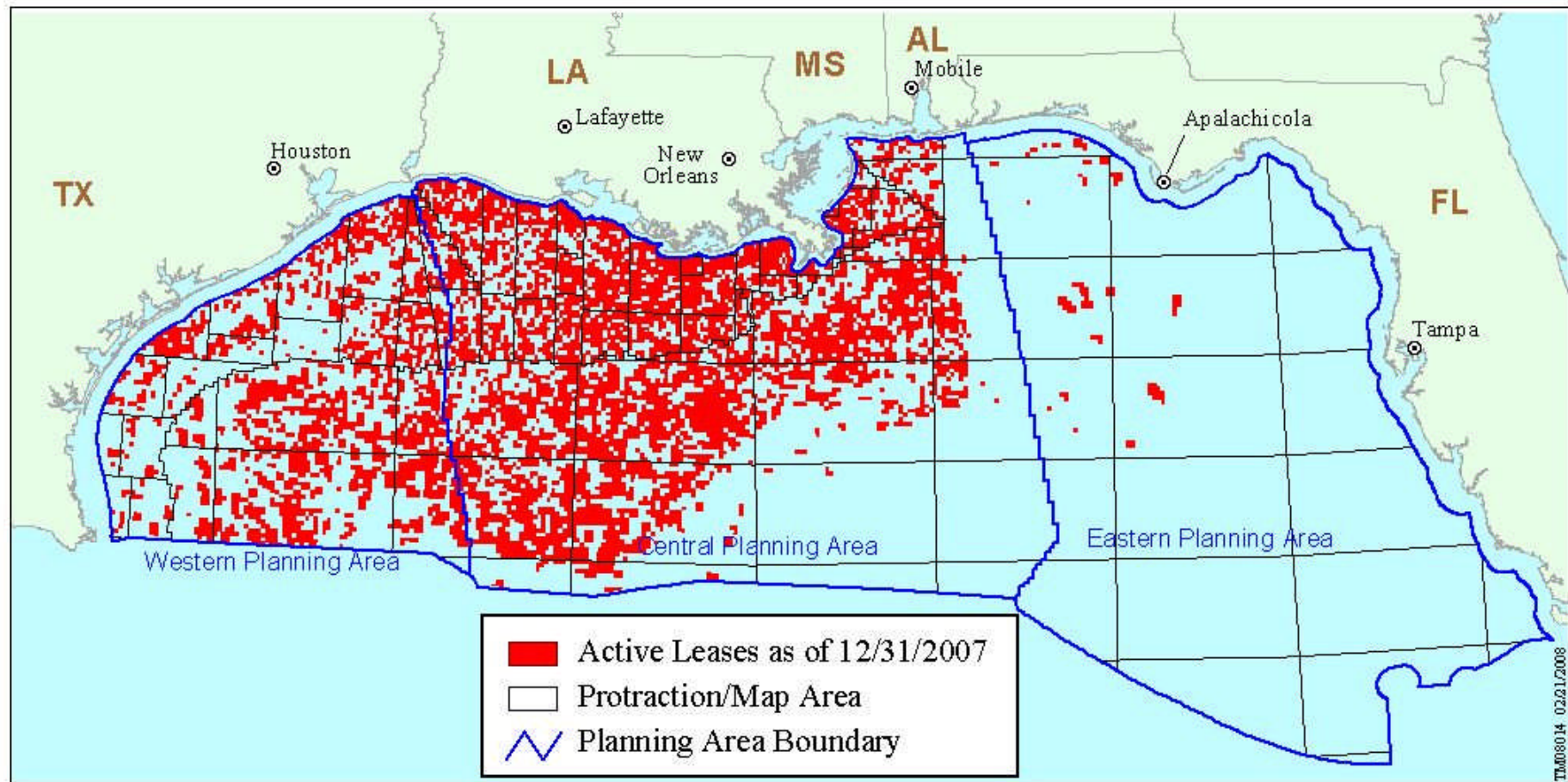
# Outline

- Current Activities Overview
- GOMESA
- GOM Technological Advances
- Hurricane Update
- Marine Sanctuary Update
- Coastal Impact Assistance



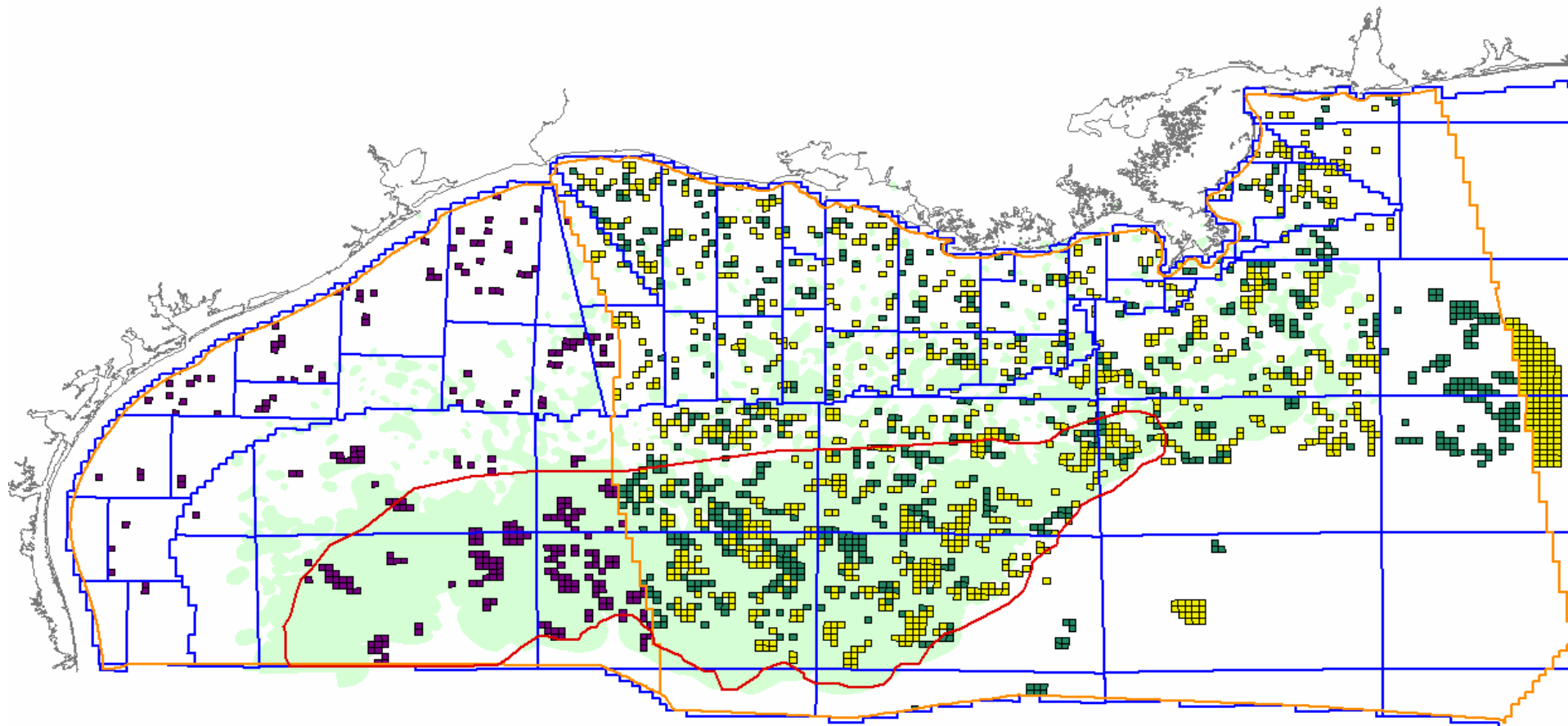
# Current Activities Overview

# CURRENT ACTIVE LEASES





# Sale 204 and 205 Results With Lower Tertiary Trend



- - Blocks receiving bids in Sale 204
- - Blocks receiving bids in Sale 205
- - Newly Available Blocks in Sales 206 & 224
- - Lower Tertiary Trend
- - Salt

# Anticipated Lease Expirations

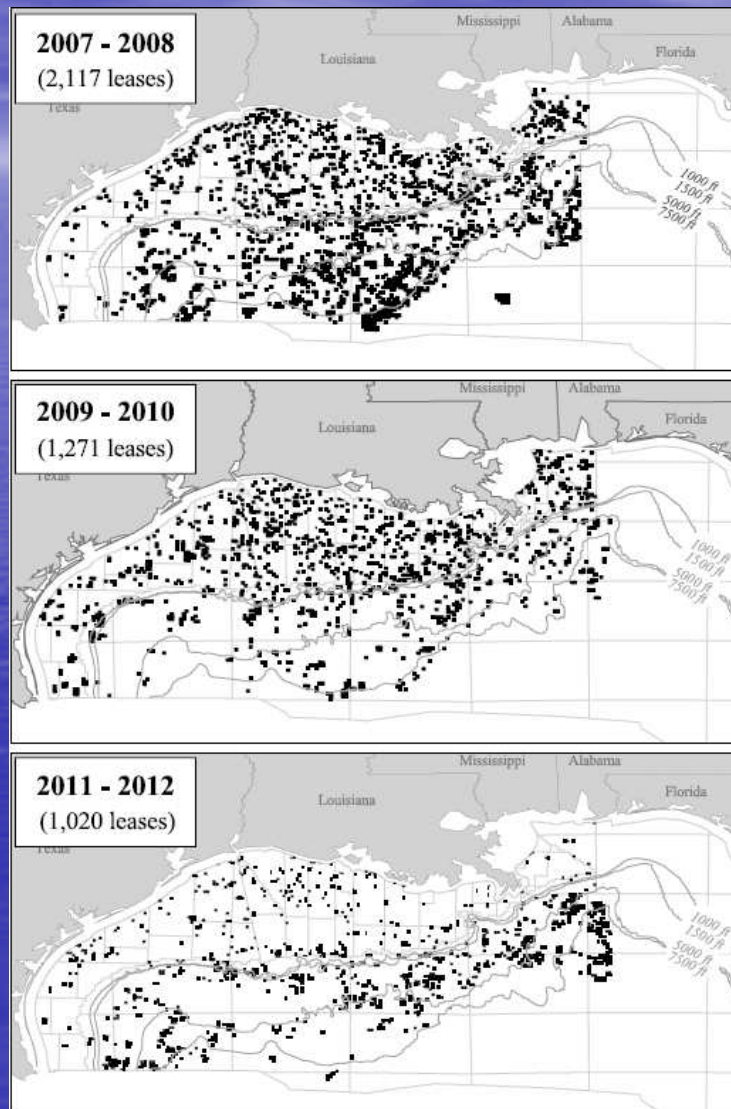
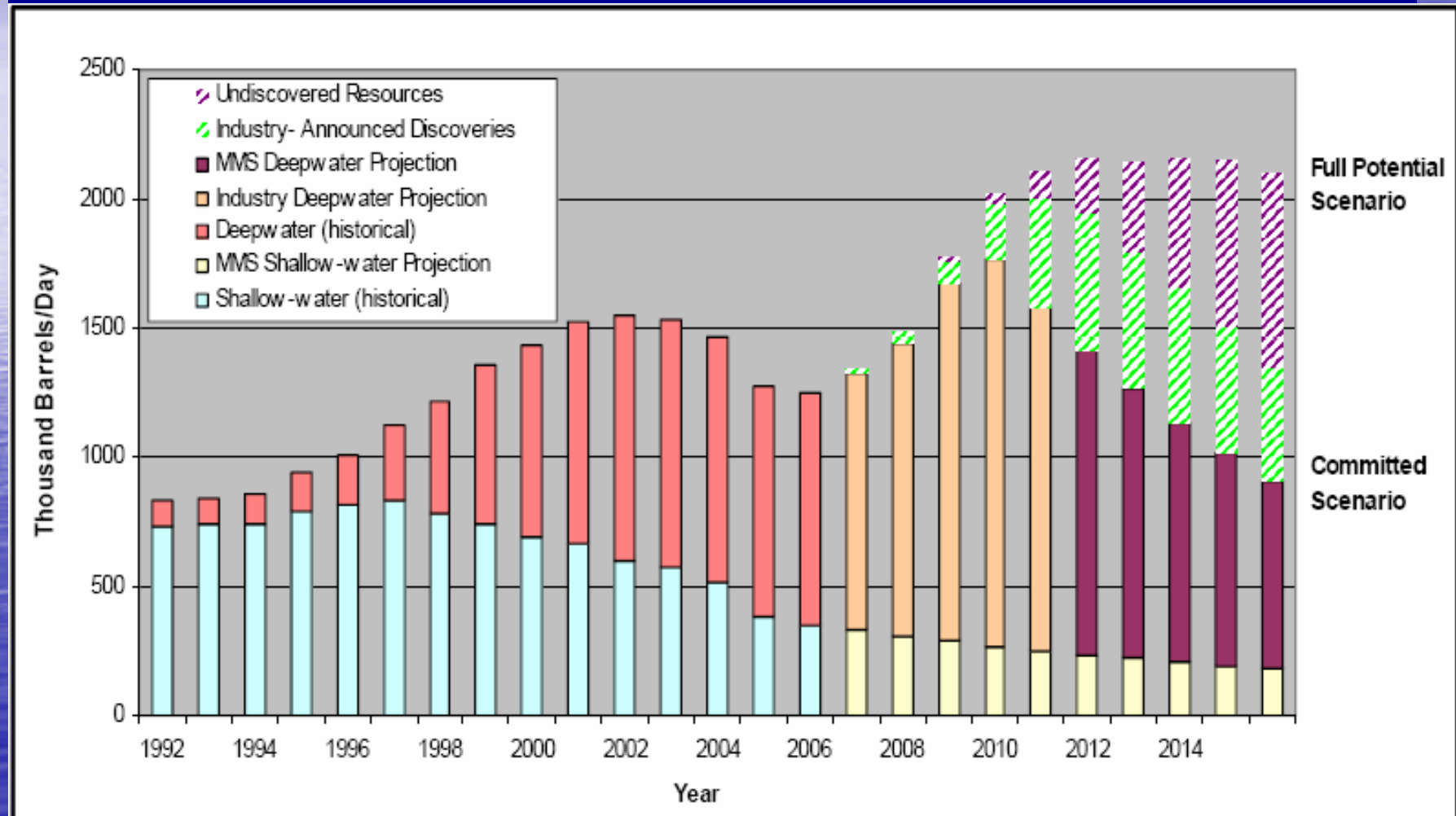
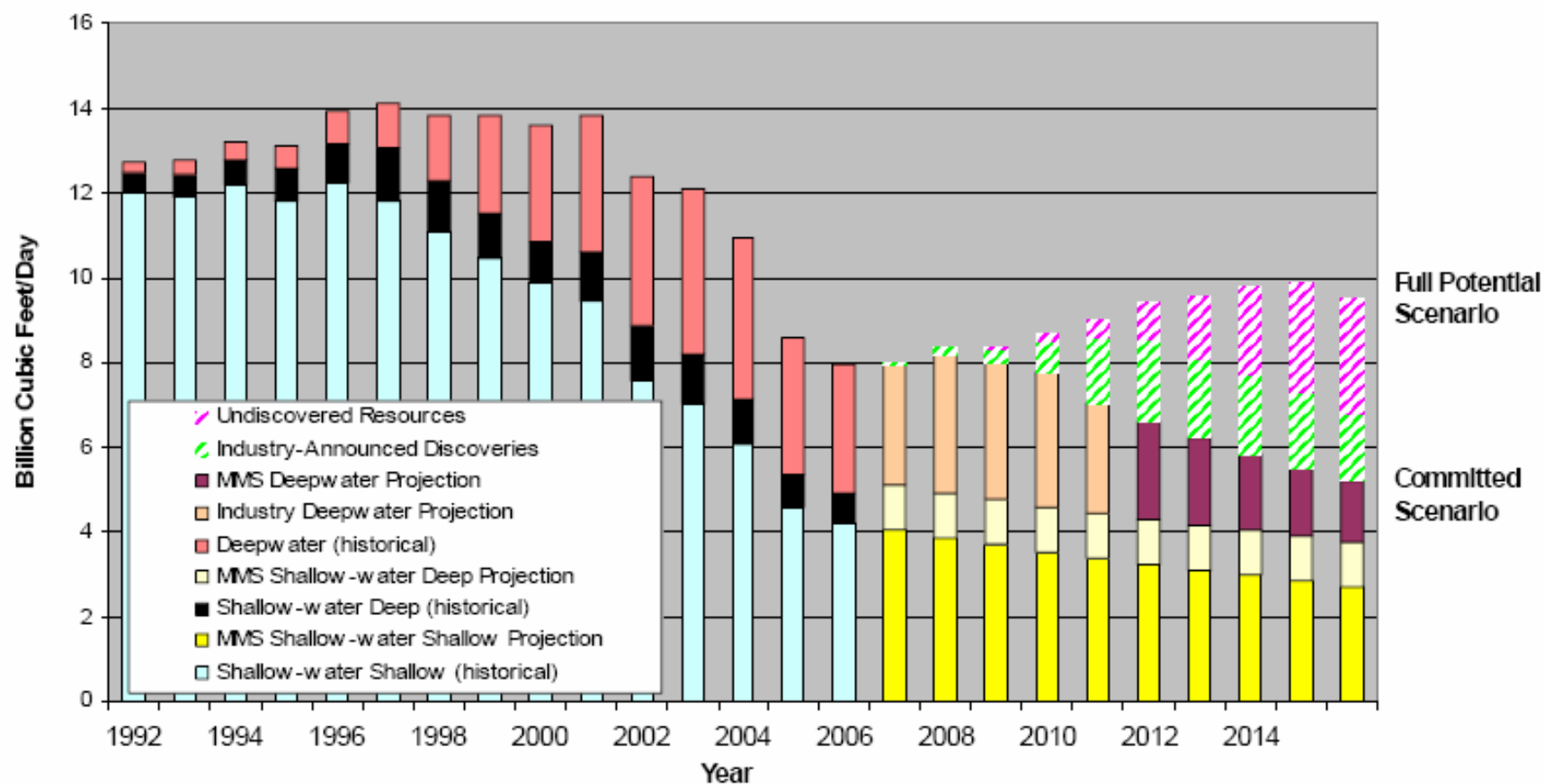


Figure 13a. Anticipated lease expirations from 2007 to 2012 in the Gulf of Mexico.

# Gulf of Mexico Oil Production Forecast



# Gulf of Mexico Gas Production Forecast





# Gulf Deepwater Development Continues to Expand

- 13<sup>th</sup> year of major expansion
- 113 projects in production at start of 2008
- 6 new production projects in 2007
- 4 large projects to start production in 2008

# Gulf Deepwater Production Starts - 2007

## Prospect

## Operator

## Area / block

## Water Depth

Atlantis	BP	Green Canyon 699	6,133'	
Atlas-Atlas NW / Ind. Hub	Anadarko	Lloyd Ridge 50	8,934'	
Cheyenne / Ind. Hub	Anadarko	Lloyd Ridge 399	8,951'	
Cottonwood	Petrobras	Garden Banks 244	2,130'	
Deimos	Shell	Mississippi Canyon 806	3,106'	
GB 302	Walter	Garden Banks 302	2,410'	
Ghenghis Khan	Anadarko	Green Canyon 652	4,300'	
Jubilee / Ind. Hub	Anadarko	Atwater Valley 349	8,825'	
MC 161	Walter	Mississippi Canyon 161	2,924'	
Merganser / Ind. Hub	Anadarko	Atwater Valley 37	8,015'	
Mondo NW / Ind. Hub	Anadarko	Lloyd Ridge 1	8,340'	
Q / Ind. Hub	Hydro	Mississippi Canyon 961	7,925'	
San Jacinto / Ind. Hub	Dominion	Desoto Canyon 618	7,850'	
Spiderman / Ind. Hub	Anadarko	Desoto Canyon 621	8,087'	
Vortex / Ind. Hub	Anadarko	Atwater Valley 261	8,344'	

# 2007-2008 Major Production Starts



# New Major Production in 2007

Project	Operator	Estimated Oil (BOPD)	Estimated Gas (MMCFPD)
Independence Hub	Anadarko		1000
Atlantis	BP	200,000	180
Total		200,000	1180



# New Major Production in 2008-10

Project (year)	Operator	Estimated Oil (BOPD)	Estimated Gas (MMCFPD)
Neptune (08)	BHP	50,000	50
Blind Faith (08)	BP	40,000	35
Thunder Horse (08)	BP	250,000	200
Helix Producer I (Typhoon)(08)	ERT	30,000	72
Tahiti (09)	Chevron	200,000	180
Shenzi (09)	BHP	100,000	50
Thunderhawk (09)	Murphy	60,000	70
Telemark (09)	ATP	25,000	50
Cascade/ Chinook (10)	Petrobras	80,000	16
Perdido Host (10)	Shell	100,000	200
Total		865,000	823

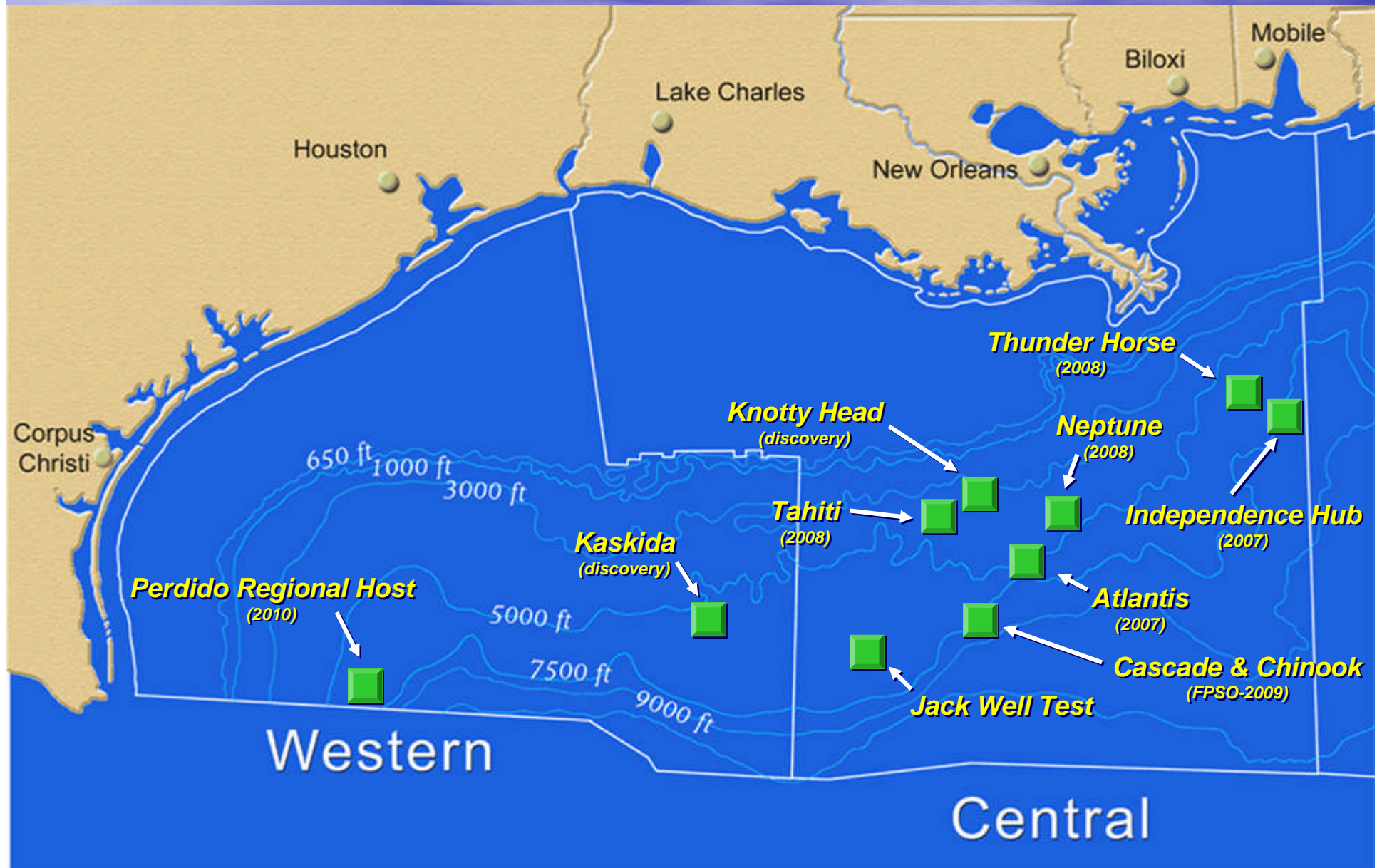
# **2007 Deepwater Gulf Discoveries (Announced)**

<b>Prospect</b>	<b>Operator</b>	<b>Location</b>	<b>Water Depth – Ft.</b>
<b>West Tonga</b>	<b>Anadarko</b>	<b>GC 726</b>	<b>4700</b>
<b>Isabela</b>	<b>British Petroleum</b>	<b>MC 562</b>	<b>6500</b>
<b>Magellan</b>	<b>Mariner Energy</b>	<b>EB 424</b>	<b>2767</b>
<b>Droshky (previously Troika Deep)</b>	<b>Marathon Oil</b>	<b>GC 244</b>	<b>2900</b>
<b>Noonan/Danny</b>	<b>Helix Energy Solutions</b>	<b>GB 506</b>	<b>2700</b>

# **2007 Deep Gas Gulf Discoveries (Announced)**

<b>Prospect</b>	<b>Operator</b>	<b>Location</b>	<b>Water Depth – Ft.</b>
<b>Butch Cassidy</b>	<b>Bois d'Arc Energy</b>	<b>ST 81</b>	<b>61</b>
<b>Flatrock</b>	<b>McMoran Exploration</b>	<b>SM 212</b>	<b>10</b>
<b>Hurricane Deep</b>	<b>McMoran Exploration</b>	<b>SM 217</b>	<b>12</b>

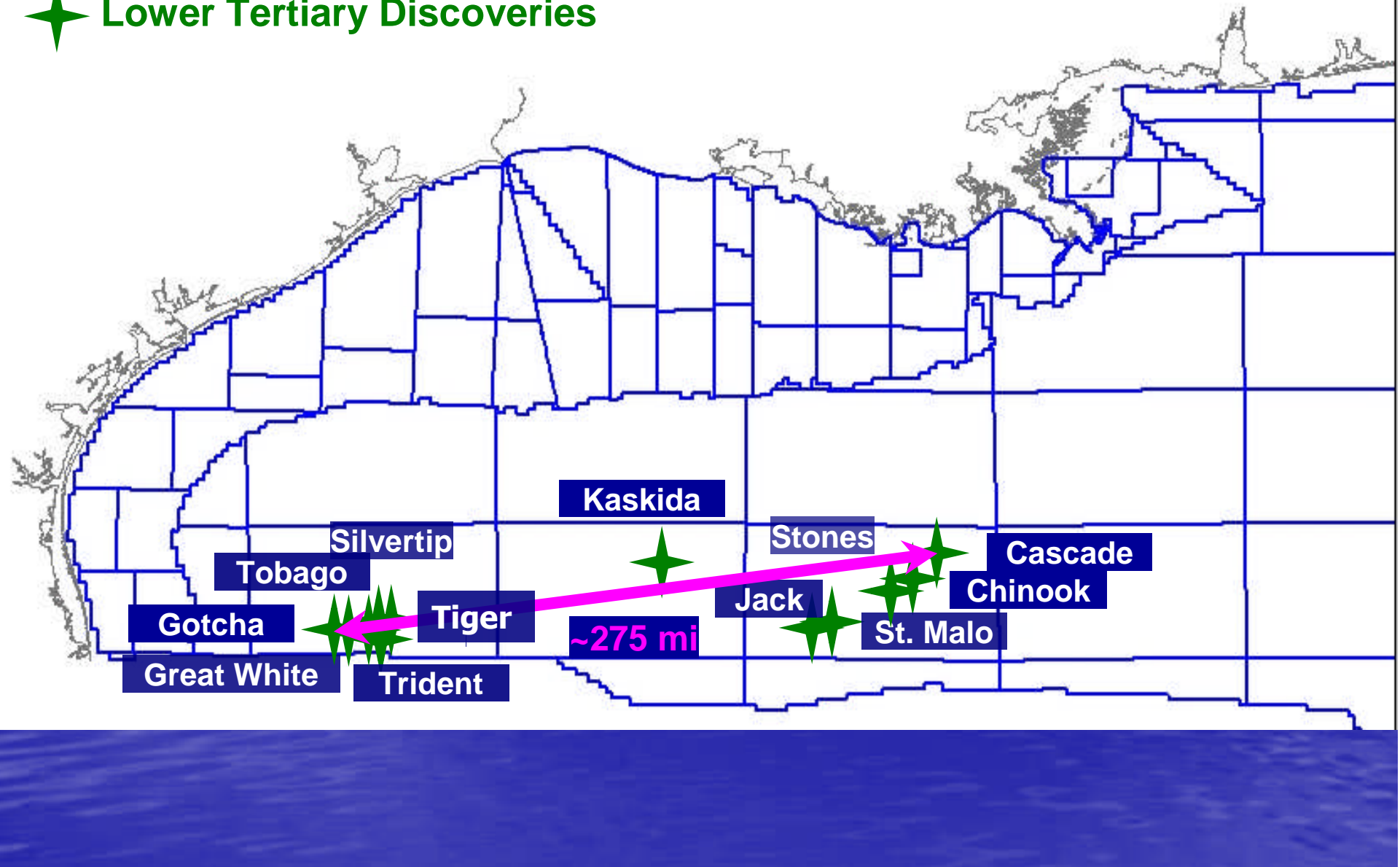
# Recent Highlights





# Gulf of Mexico – Lower Tertiary Play

✦ Lower Tertiary Discoveries



# Deep Shelf Discoveries 2005-2007



# Deep Water Discoveries 2007



# Gulf of Mexico Energy Security Act Implementation

1. Add acreage to Central Sale 205
2. Conduct Eastern sale in 2008
3. Implement removal of Presidential withdrawal from area south of 181
4. Implement revenue sharing to coastal states
5. Adopt regulations for bonus credits from existing Eastern leases

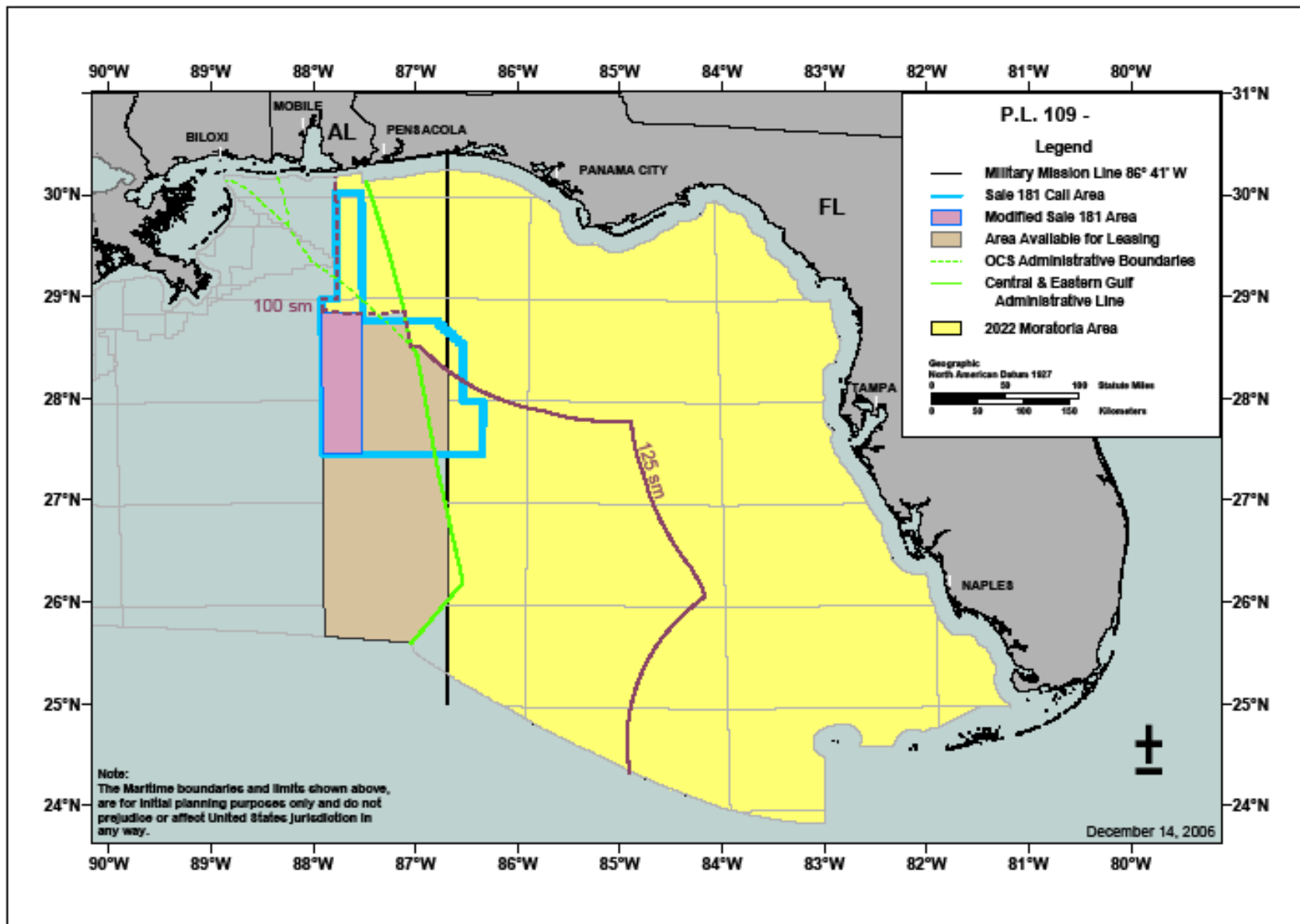


# GOMESA

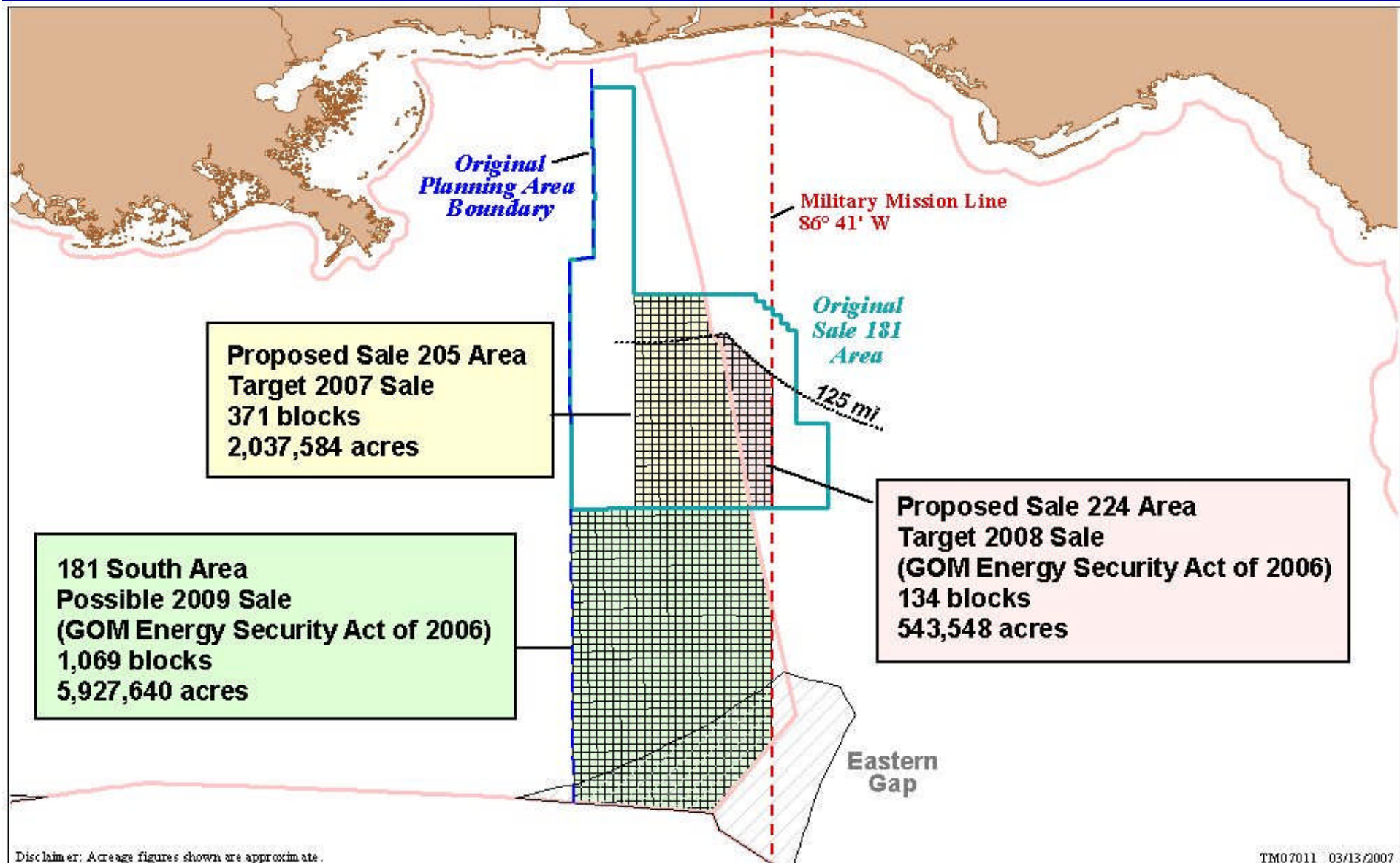
## Leasing Moratorium in Gulf

### June 30, 2022

- All acreage East of the Military Mission Line in the Gulf of Mexico
- In Eastern Planning Area
  - Acreage within 125 miles of Florida coast
- In Central Planning area
  - Acreage in Pensacola, Destin Dome, and Desoto Canyon within 100 miles of Florida coast



# GOMESA Areas



# Revenue Sharing

- For 181 Area in Eastern Planning Area Sale 224 and "South of 181" Area the revenue sharing begins immediately
- For leases, in areas historically offered, entered into on or after the date of Act - the revenue sharing begins in fiscal year 2017



# Basic Revenue Sharing Formula

- 50% to General Fund in Treasury
- 37.5% will go to Gulf producing States
- 12.5% will go to Land and Water Conservation Fund
- Distribution to Gulf States will be inversely proportional to the distance between points on Gulf States and geographical center of leased tract
- Revenue Sharing is capped at \$500 million

# EGOM Credits

- May exchange leases for bonus or royalty credit
- Equal to Bonus bid and rent paid on leased tract
- Regulations have been drafted that will govern the exchange



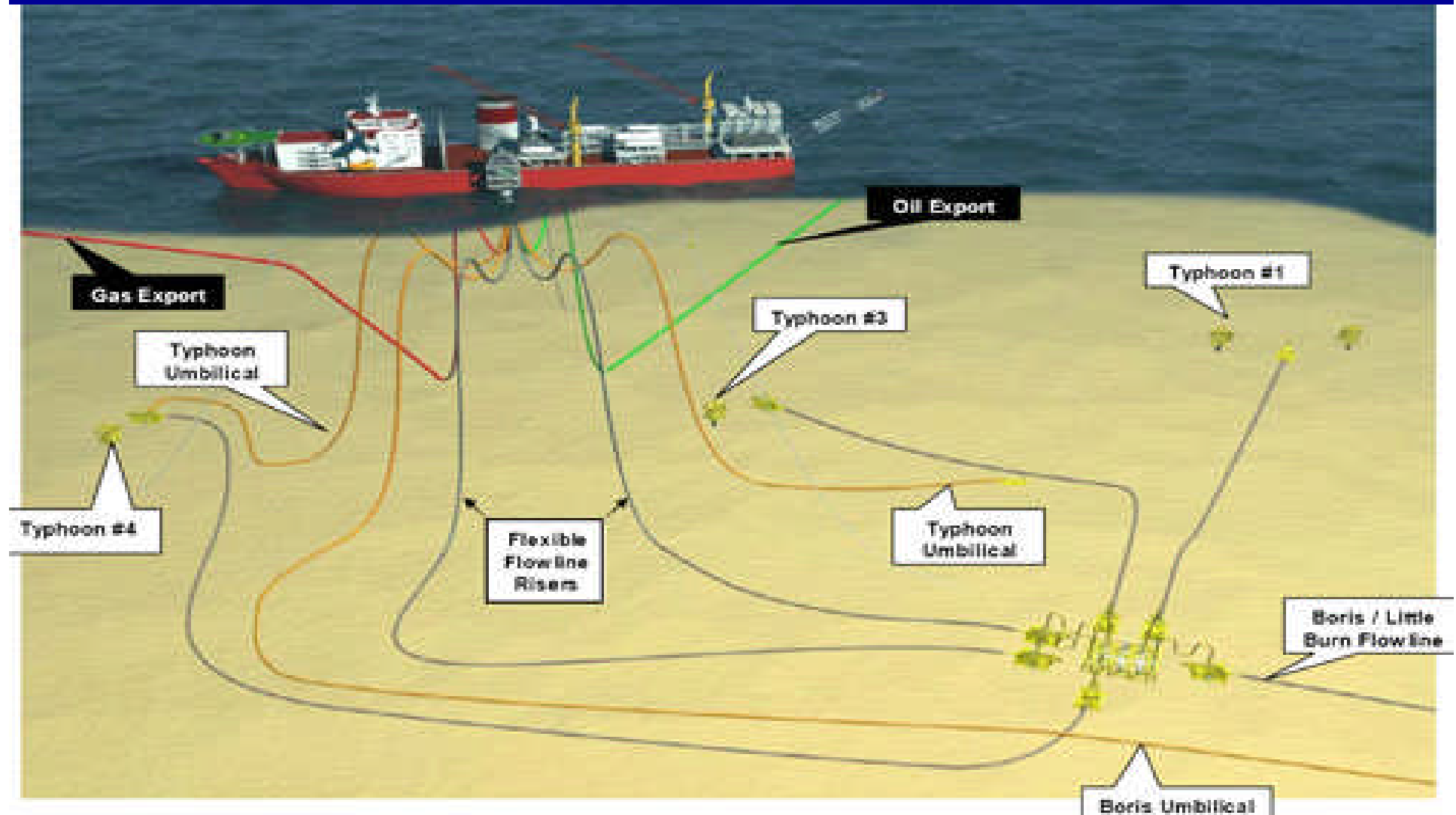
# Technological Advances in GOM Region

# First FPSO Project





# FPU



Layout of the Phoenix field, showing the FPU (*Helix Producer 1*) in position. The field is scheduled for a 3Q 2008 start-up.

Courtesy Helix Energy Solutions Group

# Subsea Processing and Artificial Lift Technology

- **Conventional sub-sea booster pumps**
  - Three (3) projects have approved DWOPs with the use of subsea booster pump systems.
    - BP King
    - Shell Perdido
    - Petrobras Chinook/Cascade
- **Conventional and Non-conventional sub-sea processing**
  - ❖ One (1) DWOP has been approved for the use of non-conventional subsea separation in conjunction with subsea boosting.

# Hurricanes



# Abandonment Continues

- Approximately half of the ~800 damaged wells have been abandoned
- Work will continue through 2013 on well abandonment
- Only one fourth of the 118 platforms destroyed by Katrina or Rita have been removed or reefed
- Much work remains



# **MMS plans the incorporation of new API Interim Bulletins**

**MMS proposes to:**

- **Issue an Interim Rule to incorporate the following API Bulletins into the regulations:**
  - **2INT-MET**
  - **2INT-DG**
  - **2INT-EX**
- **And concurrently issue a Notice to Lessees**

# **New API Bulletins for Design of OCS Platforms**

- Issued a Notice To Lessees (NTL) 2007-G26 on December 15, 2007, stating that MMS personnel will reference the following API Bulletins for the review of platform design applications:
  - 2 INT-MET
  - 2 INT-DG

# **API Bulletin 2INT-EX for the Assessment of Existing Platforms**

- MMS will also propose an interim rule to adopt API Bulletin 2INT-EX as published
- MMS issued NTL 2007-G27 on October 1, 2007, to clarify the interim bulletin

# Highlights of NTL 2007-G27

- Identify structures for an assessment
  - Operators had to identify by November 1, 2007, their Critical Facilities (A1/L1 platforms located in the Central and Transition Regions, Floating Facilities, and CVA Facilities).
- Approximately 65 facilities have been identified as critical and will need an assessment performed by June 1, 2008. This assessment should include:
  - A review of analysis procedures
  - Identification of mitigation alternatives
  - Propose a timeline for analysis and mitigation



## Idle Iron Removal

- We learned from the destruction from recent hurricanes that many facilities and wells that were lost actually had little or no future utility
- Costs for removal of toppled structures and wells is in the range of 10-15 times more than normal abandonment and removal

# Idle Iron (Well Abandonment)

**Sec. 250.1711 When will MMS order me to permanently plug a well?** MMS will order you to permanently plug a well if that well:

- (a) Poses a hazard to safety or the environment;  
or
- (b) Is not useful for lease operations and is not capable of oil, gas, or sulphur production in paying quantities.

# Idle Iron (Platform Removal)

**Sec. 250.1703 What are the general requirements for decommissioning? When your facilities are no longer useful for operations, you must:**

- (a) Get approval from the appropriate District Supervisor before decommissioning wells and from the Regional Supervisor before decommissioning platforms and pipelines or other facilities;
- (b) Permanently plug all wells;
- (c) **Remove all platforms and other facilities;**
- (d) Decommission all pipelines;
- (e) Clear the seafloor of all obstructions created by your lease and pipeline right-of-way operations;
- (f) Conduct all decommissioning activities in a manner that is safe, does not unreasonably interfere with other uses of the OCS, and does not cause undue or serious harm or damage to the human, marine, or coastal environment.

# Safety Alert- Abandonment of wells and Decommissioning Platforms

**Safety Alert**

**MMS** U.S. Department of the Interior  
Minerals Management Service  
Gulf of Mexico OCS Region

Safety Alert No. 233  
August 1, 2007

Contact: Jane Powers  
(504) 736-2558

**Plug and Abandonment of Non-producing Wells and Facilities**

Following Hurricanes Ivan, Katrina, and Rita, a total of 123 platforms were destroyed on the Outer Continental Shelf (OCS) of the Gulf of Mexico (GOM). More than 800 wells were associated with these platforms. Despite these losses, there are still a significant number of non-producing<sup>1</sup> structures and wells that are currently idle.

A potential problem identified by the MMS is that a large portion of these idle structures may not be able to survive the environment where they are located. This belief is supported by the API Bulletin 2INT-MET's new hurricane metocean conditions, which take into consideration several major storms since 1993. If a facility and its wells are displaced or toppled, it can pose an immediate risk to the environment and the recovery of future production.

The regulations at 30 CFR 250.1700 (Subpart Q – Decommissioning Activities) state in part that when facilities are no longer useful for operations, an operator must permanently plug all wells and remove all platforms and other facilities within 1 year after the lease terminates in accordance with the lease stipulations. Also, MMS may order operators to permanently plug a well if that well poses a hazard to safety or the environment or is not useful for lease operations and is not capable of oil, gas, or sulphur production in paying quantities. Historically, MMS has granted approval to operators to maintain these structures in order to conduct other future activities; however, MMS has not seen a substantial increase in the reuse of these non-producing facilities.

Therefore, MMS recommends that operators should review and evaluate their inventory of non-producing wells and facilities to determine the future utility of these structures and the level of threat posed to the environment and human safety should a facility experience a catastrophic loss. MMS further recommends that operators reference the guidance of API Bulletin 2INT-EX - Interim Guidance for Assessment of Existing Offshore Structures for Hurricane Conditions (May 2007), when conducting these evaluations. Plans should be implemented for removal of these structures beginning with those that pose the greatest threat.

--MMS--GOMR--

[www.gomr.mms.gov](http://www.gomr.mms.gov)

- Encourages operators to evaluate their current wells and facilities and decommission those that no longer have a future utility

<sup>1</sup> For purposes of this alert, the term "non-producing" is defined as any platform or well that had reported production volumes at one time, but it has not produced from August 2005 and beyond. Non-producing platforms could include facilities that have production cross them, but do not have any wells associated with the structure that report production.



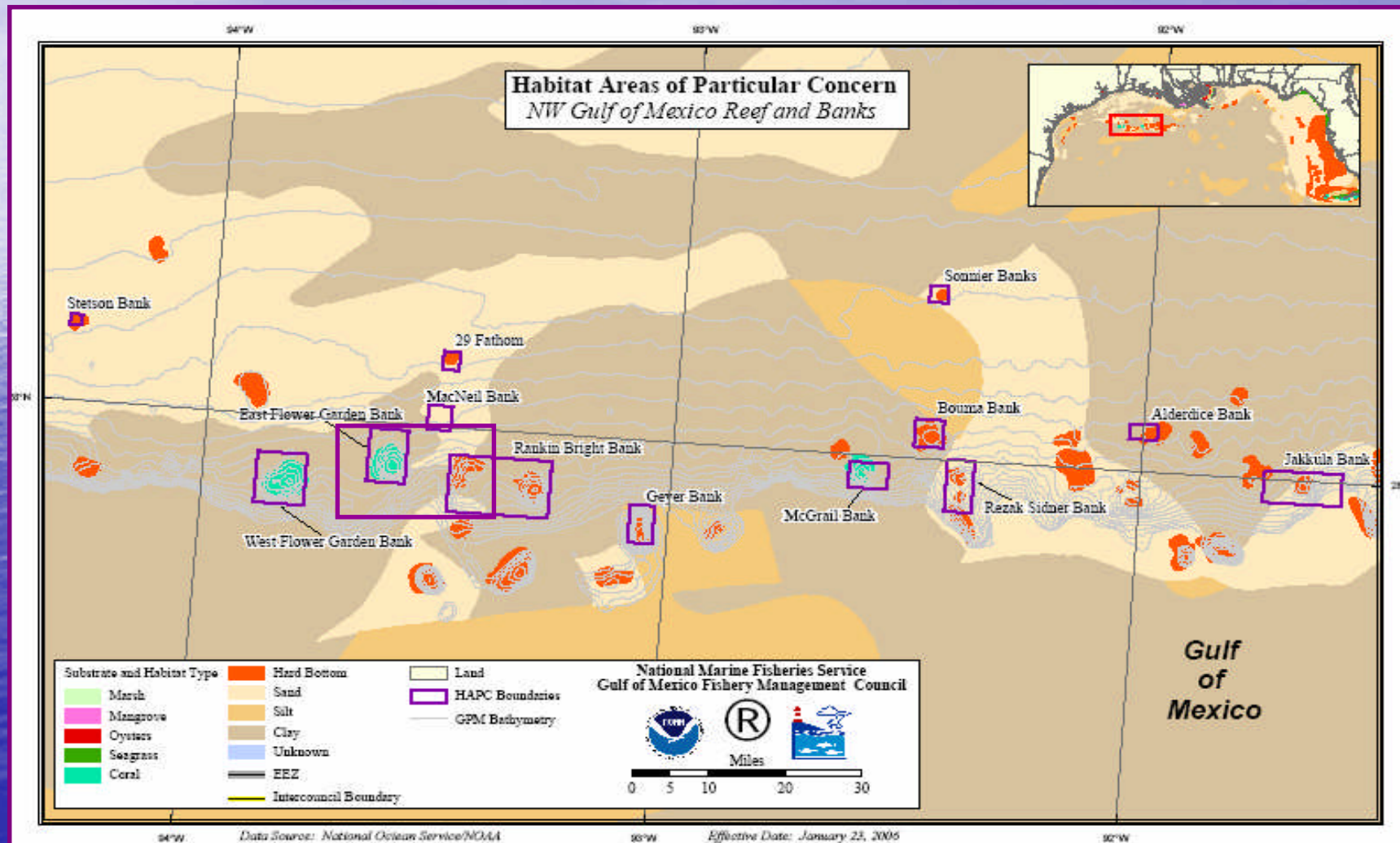
# Marine Sanctuary Update



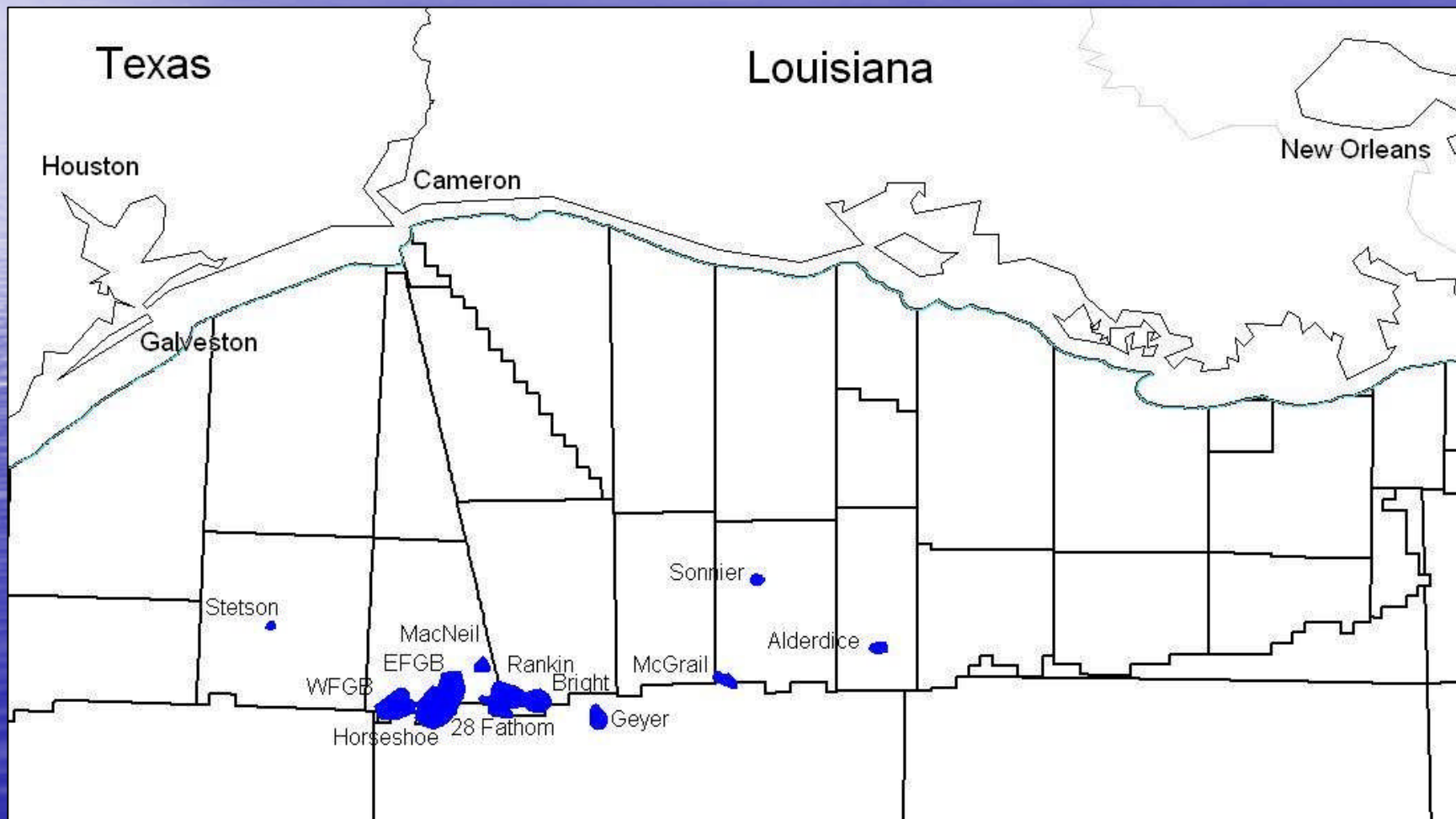
# Potential Expansion of the Flower Garden Banks National Marine Sanctuary

- Revising the Management Plan
- Includes expansion of existing sites and inclusion of new sites
- Currently writing the EIS
- Public review and presentation to Congress possible by the end of 2008

# FGB: originally proposed expansion to match HAPC boundaries (purple rectangles)



**FGB: irregular polygons following contours of the habitat are much smaller**





# Coastal Impact Assistance



# Coastal Impact Assistance Program

- Requires disbursement of \$250 Million for each year from 2007 through 2010
- Allocations for 2007 were announced on April 16, 2007 as follows:

	% Allocation	Total	State	CPS
Alabama	10.54%	\$ 25,551,607.04	\$16,608,544.58	\$ 8,943,062.46
Alaska	1.00%	\$ 2,425,000.00	\$ 1,576,250.00	\$ 848,750.00
California	3.07%	\$ 7,444,441.75	\$ 4,838,887.13	\$ 2,605,554.61
Louisiana	52.60%	\$127,547,898.57	\$82,906,134.07	\$44,641,764.50
Mississippi	12.76%	\$ 30,939,850.55	\$20,110,902.86	\$10,828,947.69
Texas	20.04%	\$ 48,591,202.09	\$31,584,281.36	\$17,006,920.73



# Coastal Impact Assistance Program

## Plan Status

### Alabama (FY 2007-2008 Plan)

Draft Plan – submitted September 25, 2007

Final Plan – scheduled February 26, 2008

### Louisiana (FY 2007-2010 Plan)

Final Plan – approved (November 29, 2007)

- Minor Changes – submitted January 2, 2008
- deemed minor, but incomplete (February 1, 2008)

### Mississippi (FY 2007-2010 Plan)

Final Plan – submitted December 17, 2007

- deemed incomplete (January 7, 2008)
- State intends to resubmit Final Plan March 2008

### Texas (FY 2007 Plan)

Draft Plan – submitted January 4, 2008

- under review

# **Coastal Impact Assistance Program**

## **Grant Status (as of February 12, 2008)**

**Eligible to submit Grant Applications for FY 2007 CIAP  
Allocations:**

**Louisiana & its 19 coastal parishes**

**13 Grant Applications have been submitted:**  
7 deemed incomplete – waiting for new information  
1 deemed complete – under adequacy review  
5 deemed adequate – sent to Contracting for review

**Alabama Grants Workshop – February 26, 2008**

**Mississippi Grants Workshop – February 28, 2008**

**Louisiana Grants Workshop II – March 3, 2008**

Thank You!

Questions?

[WWW.MMS.GOV](http://WWW.MMS.GOV)

